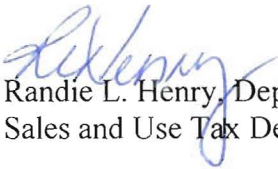


## Memorandum

**To** : Mr. Ramon J. Hirsig  
Executive Director

**Date:** August 9, 2010

**From** :  Randie L. Henry, Deputy Director  
Sales and Use Tax Department

**Subject** : **Board Meeting, August 24-25, 2010**  
**Item P3- Sales and Use Tax Department's Deputy Director Report**  
**Informal Discussion Paper on the Field Office of the Future**

At the August 24-25, 2010 Board Meeting, I will be sharing information on options for how our field offices may look and function in the future.

Please place this item on the August 25, 2010 Board Meeting agenda under P3.1.

RLH:tf

Attachment: Informal Discussion Paper

cc: Ms. Diane Olson (MIC 80)

Approved:   
Ramon J. Hirsig  
Executive Director

- ☐ For Information
- ☒ For Discussion
- ☐ For Decision Making

## BOARD OF EQUALIZATION **INFORMAL ISSUE PAPER**

---

### **Field Office of the Future**

#### **Issue**

The Board of Equalization (BOE) must evaluate how to update the current design, structure and processes performed in our field offices in order to provide services to the public in the most efficient and cost-effective manner possible.

The BOE's plan to replace its tax legacy systems, add more eServices, organize along more functional lines, and improve its business processes will significantly change its method of interaction with the public. To effectively administer taxes into the future, the BOE must embrace the fact that its customers are becoming more accustomed to, and prefer to, perform business activities electronically. Therefore, BOE must consider changing our field office structure.

#### **Background**

The BOE's field office look, functionality and footprint have remained virtually unchanged for decades. There are 21 BOE Sales and Use Tax district and branch offices with public service counters located throughout the state for which the BOE pays over \$10 million annually in lease costs. The range of monthly lease cost per square foot is \$1.42 to \$4.53. Additionally, there is one in-state and three out-of-state offices that service taxpayers who keep their books and records located outside of California. These four offices do not have public counters since their primary function is auditing. This paper focuses only on the 21 offices located in California that have public counters. A list of all our in-state field offices and their associated lease terms is included in Attachment A.

The public counters in BOE offices currently allow the general public to interact with BOE employees one-on-one for services including, but not limited to, registering for seller's permits, filing tax returns, filing returns electronically using a Self Service Terminal (SST), applying for exemptions from use tax, making payments on outstanding liabilities, and answering sales and use tax questions. In addition to the public counter function, these offices also house back-office functions including collections, audits, processing payments received, clearing return delinquencies, updating taxpayer records, and other administrative matters.

Some BOE offices have interview windows where one-on-one interaction between the public and BOE staff occur. In other offices, one-on-one interaction occurs in areas near the front counter. There are also secure areas in offices with public windows where cashiering staff receive and process incoming payments (cashier windows). In addition to the lobby with interview and cashier windows, most offices have several meeting

rooms for audit conferences, collection matters, etc. Staff performing the back-office functions are generally located in another part of the office away from the public counters.

In contrast to the 21 BOE public counter offices, the Franchise Tax Board has only six public counter offices located in the state. In addition to the public counter, these offices also house other staff, such as a limited number of collectors.

## **Focus Groups**

BOE will be implementing eRegistration, ePayments, and other eServices that have traditionally been performed via walk-in or mail-in transactions that will change how taxpayers do business with us. In addition, the BOE Consolidated Revenue Opportunity System (CROS) project is embarking on a plan to improve business program efficiencies through the replacement of its legacy tax information systems.

During the past year, a core group of BOE staff, comprised of field and headquarter members, was formed to recommend changes to current business processes due to the upcoming technology improvements. This group, called the "Life After eReg Core Group", identified common complaints regarding the current registration processes by listening to both BOE staff and members of the public. The group developed some high level recommendations for process changes to reduce or eliminate common complaints in the processes. These recommendations were focused on making the BOE more responsive to its customers' needs while becoming more efficient. In addition, the core group participated in seven focus groups with BOE staff and supervisors. Participants of each focus group were encouraged to provide their input on both the new eReg system as well as upcoming technology changes. Staff and taxpayers were also shown a mock-up of the upcoming eRegistration system, and the reaction was overwhelmingly positive. See Attachment B for a list of the BOE focus group participants.

As a result of the focus groups, staff recommended regionalizing or centralizing the back office functions, such as registration follow-up work and escrow processing to increase efficiency.

## **Discussion of the Issue**

The BOE's plan to replace its tax legacy systems, add more eServices, organize along more functional lines, and improve its business processes will significantly change its method of interaction with the public. To effectively administer taxes into the future, the BOE must embrace the fact that its customers are becoming more accustomed to, and prefer to, perform business activities electronically. Currently, BOE's customers can file returns on-line for some tax and fee programs. Soon they will be able to register for tax and fee programs and make payments on outstanding liabilities online, which will streamline customers' interaction with the BOE and eliminate the need for BOE staff to input confidential registration and banking information. As more services become available online, customers will not have to use their valuable time to visit a BOE office in person.

Online web-based services will provide real-time transactions and eliminate multiple steps in the current manual process. For example, on a current mail-in application for the seller's permit, the taxpayer must call BOE to mail or FAX the application form or go to the BOE website and download the paper application form. Upon receipt of the application form, the taxpayer must manually fill out the form by hand and mail it to a BOE field office. Staff in the field office receive applications and review them for completeness and make follow-up calls or send letters for missing or incomplete information. Once all the necessary information is obtained, field staff input the application information into the system and generate (print) a seller's permit and welcome letter. The

permit and welcome letter are then mailed to the taxpayer along with applicable forms, notices and publications. Currently, the mail-in process takes up to eight working days from receipt of an application. At the end of the registration process, the hardcopy application is sent to Sacramento to be filed in the taxpayers' central file.

For taxpayers that need other BOE permits or licenses, they must complete separate applications for each and send them to the appropriate tax or fee program staff in BOE headquarters for processing. Under BOE's new eReg system, the taxpayer will go online and input their application information only once for all tax and fee programs. The system will validate information in real-time and issue a seller's permit (printable by the taxpayer) at the end of the process along with an electronic welcome letter and links to all the necessary forms, notices and publications applicable to their business. In addition to issuing a seller's permit, the eReg system will also issue permits and licenses (some immediately, some within a few days) for all necessary tax and fee programs administered by BOE.

Not only will this revolutionize the way BOE issues permits and licenses, this process will minimize errors in keying information and minimize chances of confidential taxpayer information being misplaced or exposed, while passing through multiple hands during the manual application process. Additionally, a number of taxpayers informally surveyed indicated they would use the new online eReg system (whether from an SST or from their own home or office). As a result, the implementation of eRegistration will significantly impact and streamline the current front office (public counter) registration process.

As noted above, taxpayers currently register with the BOE either by visiting an office or by mailing an application to the BOE. Many of those that visit a BOE office find they can simply drop off a completed application and receive their permit in eight business days or less, and they choose to do so rather than waiting in the office for their permit application to be processed. Over the past six years, the percentage of sales and use tax registrations processed through the mail has almost doubled, indicating that customers increasingly prefer to interact with the BOE via some means other than in-person. Additionally, staff in the BOE's Taxpayer Information Section have consistently reported a high number of requests from the public for additional eServices.

As additional eServices are provided that will allow tax and fee payers to self-manage their accounts, the volume of customers visiting BOE offices will continue to decline. As a result, the BOE must be proactive in planning for this change and begin redesigning field offices to meet these changing needs, reduce costs, provide efficiencies and improve customer service. Along with the direct impact on face-to-face (public counter) operations, the BOE needs to evaluate how best to house and where to locate back-office field functions (audit, collections, etc.).

## **Separating Public Counter and Back Office Functions**

The BOE may be able to lower costs per square foot by changing the existing offices and separating the public counter from the back-office functions. Offices that house a public service counter would be located in the same or general areas that current offices exist. Every effort will be made to locate these offices in areas where the public can best access the office given considerations such as availability of parking, access to public transit, and location relative to population centers. These offices would also be equipped with SSTs that allow the public to perform functions such as apply for a permit or use tax exemption without requiring one-on-one in-person support from BOE staff. BOE staff will still be available to assist taxpayers, but the SSTs will allow staff to assist more taxpayers at one time, freeing staff for other critical workloads of each office. The back-office functions could then be located where the lease rate per square foot would likely be less than the public counter office, saving the BOE valuable funds.

The Life After eReg Core Group and the staff focus groups identified functions related to the registration process that can be centralized or regionalized to achieve administrative efficiencies and better customer service. Recently, the Property and Special Taxes Department underwent a reorganization based on work functions rather than tax programs. This was done to achieve greater administrative efficiencies and provide better customer service. Below is the list of registration related functions that these groups determined were best suited to centralization or regionalization:

- Escrow processing
- Security processing
- Registration follow-up
- Account maintenance
- Use tax exemption processing

Additionally, the following back-office functions can be considered for centralization or regionalization:

- Various collection activities
- Audit reviews
- Discharge from accountability (write-off) approvals
- Dual determination investigations
- Field audits

Centralizing or regionalizing these functions into non-public counter locations would allow the BOE to reduce the overall size of the public counter offices, thereby reducing lease costs. This will also increase consistency of the back-office work performed on the above functions because staff performing the work would be co-located in the regionalized or centralized locations. This concept allows staff to concentrate on their specific functions without being pulled to perform other duties. This concept also allows staff to gain expertise on their specific functions that, when coupled with regular rotations to other functions to gain additional expertise, can help them prepare for promotional opportunities.

Any effective centralization or regionalization implementation plan will require the Department of General Services (DGS) to negotiate leases so that the BOE has the ability to scale down the size of the office as positions are transitioned to central or regional locations. As the plan to transition to the office of the future evolves, the goal will be to review each office on a case by case basis to determine the best footprint for that office, minimize the impact on staff by working closely with the Service Employees International Union (SEIU) and provide career counseling and job re-training.

The Suisun City branch office is one of the first field offices that will provide the BOE with an opportunity to develop a new field office model that takes advantage of new business processes and upcoming technology. The process to develop a new office model, along with identification of needs for the purpose of selecting the optimum location, for the Suisun City office will allow the BOE to consider centralizing or regionalizing certain registration-related and back-office functions in a way that achieves greater efficiencies and better customer service. See Attachment C for a proposed action plan related to the Suisun City branch office.

## **Fundamental Guidelines**

In planning for the office of the future, the BOE must keep the following in mind:

1. There will continue to be a need to interact personally with taxpayers to perform some functions.
2. Public offices will need to be located in areas convenient to the public (available parking, close to public transportation, etc.).
3. Public offices must be flexible to adjust to new technology and customer needs.
4. Business processes must continually be improved as changes occur from improved technologies and the needs of the customers.
5. SEIU will be consulted and kept informed of plans to change current office structures to ensure the needs of employees are taken into consideration.
6. Position classifications and staffing levels must be analyzed to ensure classification and staffing levels are appropriate and meet the changing job requirements.
7. Career opportunity training will be provided to staff as appropriate.
8. All offices must be equipped with required safety features.

## **Recommendation**

The BOE should take advantage of new business processes and upcoming technology by changing the look and feel of existing offices when leases are up for renewal. The BOE will take into consideration, on a case-by-case basis, where public offices will be located and which back-office functions could be centralized or regionalized. Every attempt will be made to minimize the impact on staff by relocating as many vacant or newly created positions to the new locations, including the associated workload for the positions. As stated in the fundamental guidelines, each office will take into consideration taxpayer needs, BOE staff, reduction of costs to the state, and increased efficiencies.

## **Critical Time Frames**

Implementation of any part of this recommendation will be contingent upon upcoming office lease renewals and will need to be set far enough in the future to fully consider all aspects of the transition, including budgetary implications.

## **Preparation**

Prepared by: Tim Fairchild

Sales and Use Tax Department, Tax Policy Division  
324-2877

Current as of: August 6, 2010

### Attachment A - Public Office Lease Information

EQ DISTRICT	OFFICE	DIST CODE	ADDRESS	STATE OWNED BLDG	FIRM TERM EXPIRATION <sup>1</sup>	LEASE EXPIRATION
1	Oakland	CH	1515 Clay Street, Ste. 303	Y	N/A	N/A
1	Salinas	GHC	111 East Navajo Drive, Ste. 100	N	8/31/2009	8/31/2013
1	San Francisco	BH	121 Spear Street, Ste. 460	N	7/31/2010	7/31/2012
1	San Jose	GH	100 Paseo De San Antonio	Y	N/A	N/A
1	Santa Rosa	JH	50 D Street, Rm 230	Y	N/A	N/A
1	Suisun City	JHF	333 Sunset Avenue, Ste. 330	N	8/31/2010	8/31/2014
2	Bakersfield	ARH	1800 30th St., Ste. 370/380/390	N	3/31/2006	3/31/2008
2	Fresno	KHO	8050 North Palm Ave., Ste. 205	N	9/30/2012	9/30/2018
2	Redding	KHM	2881 Churn Creek Road, Ste. B	N	5/30/2006	4/30/2011
2	Sacramento	KH/OH	3321 Power Inn Road, Ste. 130/210	N	6/30/2008	6/30/2018
2	Ventura	AR	4820 McGrath Street, Ste. 260	N	7/31/2011	7/31/2015
3	El Centro	FHA	1550 Main Street	N	N/A	10/31/2010
3	Irvine	EA	16715 Von Karman Ave., Ste. 200	N	1/31/2013	7/31/2016
3	Rancho Mirage	EHC	35-900 Bob Hope Dr., Ste. 270/280	N	7/31/2010	7/31/2014
3	Riverside	EH	3737 Main St., 9, 10, & 11th Flrs	Y	N/A	N/A
3	San Diego	FH	1350 Front Street, Rm 5047	Y	N/A	N/A
3	San Marcos	FHB	334 Via Vera Cruz, Ste. 107	N	4/30/2010	4/30/2014
4	Culver City	AS	5901 Green Valley Cir., Ste. 200	N	11/30/2013	11/30/2017
4	Norwalk	AA	12440 E Imperial Hwy, Ste. 100	N	4/30/2009	10/31/2012
4	Van Nuys	AC	15350 Sherman Way	N	11/30/2009	11/30/2010
4	West Covina	AP	1521 W Cameron Ave., Ste. 200/300	N	4/30/2014	4/30/2018

<sup>1</sup> After the firm term expiration date, the lease will continue with the option of cancelling upon a 30 to 90 day notice.

### Attachment B - Life After eReg Focus Group Attendees

Office	Attendee	Office	Attendee	Office	Attendee
AA	Michelle Creencia	EA	Aria Hosseinian	LRAU	Ken Silva
AA	Dina Hay	EH	Elena Yuasa	OH	Peggy Evans
AA	Elena Kleinsasser	EH	Rose Dorado	OH	Bruce Barkley
AA	Marissa Orozco	EH	Tanya Valdez	PSTD	Lisa Gonzalez
AA	Leticia Luna	EH	Plato Vassiliou	PSTD	Diane Crockett
AC	Susan DeJesus	eServices	Lyn Koch	PSTD	Linda Stefani
AC	Nicol Kimura	eServices	Anna Martin	PSTD	Sergio Calatayud
AP	Shelia Montooth	eServices	Ruby Tanaka	PSTD	Michele Reyes
AP	Lori Salles	eServices	Connie Rodriguez	PSTD	Maria Minggia
AP	Connie Lopez	eServices	Lupe Angulo	PSTD	Kevin Cathy
AR	Kevin Hartnett	eServices	Jennifer Yagi	PSTD	Sherry Mateo
AR	Rosemary Noriega	FH	Rebecca Valdez	PSTD	Elwyn Jones
AR	Deanna Lorenzana	FH	Lucy Villafana	PSTD	Maggi Baum
ARH	Julie Johansen	FH	Jim Briers	PSTD	Nichole Torres
AS	Aris Sabado	FHB	Linda Luna	PSTD	Amphay Lakhamsene
AS	Jaime Pacheco	FHB	Kara Evans	PSTD	Dan Tokutomi
BH	Glenn Lee	GH	Jamie Perron	PSTD	Ken Lawson
BH	Simar Kaur	GH	Trang Duong	PSTD	Mercy Milan
BH	Rollie Vergara	GH	Dina Almario	PSTD	Mel Chan
BH	Ruth Arceo	GH	Linda Alter	PSTD	Carolyn Hoffman
BH	Helen Weaver	GHC	Luana McBride	PSTD	Tammi Uchida
BH	Homam Rady	GHC	Maria Perez-Vargas	PSTD	Lisa Sherrod
BTCT	Kim Rios	JH	Catherine Nissen	PSTD	Jane Burgoon
BTCT	Dave Rosenthal	JH	Lisa Yuan	PSTD	Lynne Bowling
BTCT	Geoff Lyle	JH	Craig James	PSTD	Mitchell Cari
CCS	Eva Delgado	JHF	Ashley Taylor	PSTD	Louise Bertoni
CH	Neelam Godhwani	JHF	Daphaney Stanford	PSTD	Kevin Anderson
CH	Sunny Huang	KH	Juanita Saucedo	PSTD	Carol Reisinger
CH	Darryl Leong	KH	Georgeanna Gallagher	PSTD	Hal Lovell
CH	Nancy Adams	KH	Terri Davidson	TIS	Chip Lim
CPU	Rosie Escobar	KH	Dwayne Sims	TIS	Leonard Singh
CUTS	Jose Aguirre	KH	David Jimenez	TIS	Thor Dunn
CUTS	Yvette Krenzler	KH	Jay Bolts	TOE	Diana Pena
CUTS	Karen Berlin	KHM	Carol DeArton	TOE	Lori Mayoya
CUTS	Sherri Quint	KHM	Merlene Gora	TOE	Jason Parker
EA	Lynda Fehrenkamp	KHO	Tina Banks	TPD	Jeff McGuire
EA	Maywood Wong	KHO	Barbara Wilson	TPD	Susanne Buehler
EA	Barbara Roshanaee	LRAU	Belen Sigua	TPD	Bill Hain
				TPD	Tim Fairchild

## Attachment C - Suisun City Office Proposed Action Plan

- Moderate the process to downsize the Suisun City office. (*Process has already been moderated and the need to further moderate or expedite the process will be evaluated on an ongoing basis.*)
- Remain in current location and allow office lease to go into the 'soft term' until late 2011/early 2012. (*Lease firm term expires August 31, 2010, after which the office lease will revert to the soft term, pending a future decision on location/needs.*)
- Give consideration to employee suggestions and feedback submitted on May 7, 2010. (*Completed; however, additional suggestions/feedback will be evaluated on an ongoing basis.*)
- Attempt to achieve 'downsizing' of the office through attrition. For example, achieve through retirements, promotions, and other transfers. (*Will be achieved/monitored on an ongoing basis.*)
- In conjunction with District Administrator (DA) and Branch Office Supervisor (BOS), consider the filling of resulting vacancies on a case-by-case basis. (*Will be monitored on an ongoing basis.*)
- Meet with SEIU to discuss proposed action plan and timeline. (*Completed on July 27, 2010; however, future meetings with SEIU will be scheduled as needed.*)
- Meet with office staff and invite SEIU to participate. (*Completed on August 3, 2010; however, future meetings will be scheduled as needed.*)
- Offer office staff and supervisor the opportunity to receive personalized, individualized career counseling services. (*Completed on August 3, 2010; scheduling of staff career counseling services is in process.*)
- Analyze office/district work functions, workload and staffing to consider transferring work (e.g. to district office, regional location), especially as more vacancies occur. (*Will be monitored/decided on an ongoing basis.*)
- Determine what the future 'footprint' for the Suisun City office should look like based on the direction given by the Board at the August 2010 Board Meeting, as well as by working with the DA and BOS, office staff, and SEIU. Give thoughtful consideration to future BOE, taxpayer and employee needs. (*Goal is to formalize the footprint by December 2010.*)
- In early 2011, through the Business Services Section (BSS) and Department of General Services (DGS), begin the process to find space that meets the proposed office footprint. (*January - March 2011.*)
- Continue to work with the DA and BOS, office staff, SEIU (as needed) and BSS/DGS through the process in a positive and considerate manner. (*Will be monitored on an ongoing basis.*)
- Move to new office location in early 2012. (*Goal is to move in January/February 2012.*)